







## **Faculty Working Papers**

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**#241**

**College of Commerce and Business Administration  
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## SOCIAL MARKETING IN THE GHETTO

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In recent discussions of "social marketing" in the United States, two distinct definitions of the concept have emerged. The first, most closely identified with Philip Kotler is that social marketing is the application of marketing tools to social issues.<sup>1</sup> This definition aligns the concept with the broader development of marketing applications in a wide range of non-profit settings.<sup>2</sup> An alternative definition often found in the work of William Lazer<sup>3</sup> is that social marketing is the evaluation of marketing's impact on society in its traditional non-profit business environment. It is not the purpose of this paper to debate the "correctness" of either definition but to suggest that there are clearly instances in which the two definitions intersect. One of those intersections is the concern of this paper.

### Marketing in the Ghetto

For several years, I and a handful of scholars in the United States have been concerned with a paradoxical problem of urban marketing systems. This problem is that, despite extensive and growing affluence in most sectors of the U. S. economy, there remain significant numbers of consumers who by virtue of their low income, old age and/or minority racial status systemically obtain much less value in the urban market place for their consumer dollars than the rest of our society. Beginning with David Caplovitz's provocatively titled book The Poor Pay More published in 1963,<sup>4</sup> a broad array of studies have demonstrated that at least in the United States those whom I have chosen to call "the disadvantaged



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consumers" regularly pay higher prices for the same merchandise as purchased by the non-disadvantaged,<sup>5</sup> pay higher credit rates and are more often charged credit extras,<sup>6</sup> more often are cheated and deceived into buying items they don't need or merchandise more expensive than they can afford,<sup>7</sup> and find that the results of this market involvement all too often lead them to the courts and to bankruptcy.<sup>8</sup> As I have theorized elsewhere,<sup>9</sup> the sources of these difficulties are threefold as suggested in Figure 1:

1. First, the socio-economic characteristics and attitudes of the disadvantaged are themselves a major source of difficulty. The disadvantaged have low and unstable incomes which means they must seek out higher cost credit sources and can less often buy items in large economy sizes or when they are on sale. The disadvantaged are often members of racial minorities which means that even if they are not poor they must live in ghetto areas where, as noted below, the market is competitively weak. It means they will be discriminated against or feel they will be discriminated against and this will restrict their market alternatives. And, of course, many of the disadvantaged are elderly and therefore more often physically and mentally inhibited in their shopping scope. Finally, all of these socio-economic characteristics are associated with attitudes and values such as a sense of powerlessness, a lack of faith in government institutions that further immobilize the disadvantaged.

Figure 1 about here

2. Second, as noted above, the disadvantaged typically live in poor areas where the marketplace is excessively atomistic; overstored, under-capitalized, and poorly managed. This, in turn, means that costs of



operation are higher, stores smaller, assortments drastically limited and physical and economic plight rampant. In many areas, recent extensive movement of the affluent to the suburbs appears to be dramatically worsening this situation.

3. Finally, in addition and often responding to, the two aforementioned sets of inhibiting factors -- the characteristics, attitudes and values of the disadvantaged consumers themselves and the market structure they face -- the final source of difficulty and the one most often emphasized in the popular press is the exploitative behavior of the merchants whom they must patronize. Accounts of how these merchants practice the "bait-and-switch", the "fear-sell", the "turnover" and the blank contract to bilk the unsuspecting consumer abound in both the popular and scholarly literature in the U. S.<sup>10</sup> A distressing feature of these accounts is how frequently and how successfully the exploitative merchants are able to achieve their ends through the use of the legal system.

Clearly, of course, these three sets of forces interact. Indeed, this interaction often produces a cyclical effect which I have elsewhere termed "the cycle of consumer disadvantage".<sup>11</sup> That is, for example, the consumer's lack of income, unstable job history and sense of powerlessness induces the ghetto merchant to exploit him, overcharging and underservicing him. This, in turn, often overburdens the disadvantaged consumer causing him to default on his debt. This default, directly or indirectly, may affect the consumer's job status, thus, in a final turn of the cycle lowering his income, making his job record even more unstable and further increasing his sense of powerlessness. What may have begun as an attempt to marginally escape poverty through material acquisition only serves to drive the disadvantaged consumer





more deeply into his poverty.

### Social Marketing in the Ghetto

It is clear that the marketing system has not served this particular segment of the market very well, at least in the United States. On the other hand the existence and significance of the disadvantaged consumer problem is relatively widely understood. Solving this problem is a major goal of the consumerism movement, at least as those goals are enunciated by the Consumer Federation of America.<sup>12</sup> It is these attempts at solutions that, in fact, constitute social marketing in the Kotlerian sense. That these attempts have been relatively unsuccessful in the United States is now generally well accepted. It is to an evaluation of this lack of success that we now turn, paying particular attention to ways in which consumerism's approach to social marketing in the ghetto is instructive for problems faced by social marketing in other domains.

### Consumerism in the Ghetto

In the writer's judgment the principal source of difficulty in the consumerism movement's attempt to solve the ghetto marketing problem has been that the movement is basically white and middle class whereas those who are to be helped are non-white and/or non-middle class. This, it turns out, is a phenomenon common in social marketing: the haves trying to improve the lot of the have-nots. It is a relationship fraught with dangers, five of which have manifested themselves in efforts directed at the disadvantaged consumer. These are:

- a. the danger of misunderstanding





- b. the danger of haste
- c. the danger of excessive reliance on legislation
- d. the danger of excessive anti-business sentiment
- e. the danger of overprotectiveness

### 1. The Danger of Misunderstanding

A major problem for the middle class in seeking solution for the disadvantaged consumer's problems is that they see these problems as different from those they are familiar with only in degree and not in kind. It is true that the disadvantaged consumer's problems are in many respects different only in degree: they have relatively less education, less income, larger families and so on. But their problems are different in kind in four significant ways:

1. Disadvantaged consumers have not just lower incomes than the middle class but they have incomes that are very unstable, a problem rarely faced by the middle class. This means that the disadvantaged lack an essential ingredient for financial planning that the middle classes have. This lack of information means, for example, that they often undertake debt they subsequently cannot handle financially, although at the point of decision the action seemed perfectly rational to them.

2. Those who are black, Indian or Mexican-American face racial discrimination which whites do not. We have considerable evidence that discrimination at least in the United States affects even those disadvantaged who are economically middle class by restricting their shopping scope, subjecting them to higher interest rates, and so on.

3. The disadvantaged live in ghettos defined by race and/or poverty where the market opportunities are qualitatively different from those faced by the middle class. Research has now well documented the fact that ghetto



market structures are dominated by shops that are small, run down, understocked, poorly managed and, of necessity, charging very high prices.

4. In many cases disadvantaged consumers appear to have different shopping goals than the non-disadvantaged. For example, there is considerable evidence that they are more interested in patronizing local outlets and door-to-door peddlers because these interactions apparently bring important social gratifications to their otherwise bleak lives.

The critical point to be made here is that these qualitative differences lead to marketplace behaviors which many white middle class members applying, as Louise Richards has,<sup>13</sup> their own concepts of good financial planning view as "irrational." That such misunderstanding is an extremely poor basis for social marketing strategy should be clear.

## 2. The Danger of Haste

If there is much misunderstanding here, there is also much ignorance. Despite a decade's research on the problems of the disadvantaged, there is much we need to know before we can confidently recommend social marketing strategy in several areas. Merely one example is our lack of understanding of the possible effects of the guaranteed income programs currently being debated in the U. S. and elsewhere on the disadvantaged consumer's market behavior and the business structure and performance in ghetto market areas. The speculation I have offered elsewhere<sup>14</sup> is that the implementation of such programs without other support programs will leave some disadvantaged consumers worse not better off in the market place, at least in the short run.

## 3. The Danger of Excessive Reliance on Legislation

As noted in Figure 1, the problems of the disadvantaged have their





roots in three major interacting sets of conditions. To rely solely on legislation to curb exploitative behaviors of ghetto merchants as the middle class is often wont to do ignores this complex tripartite foundation of the problem.

#### 4. The Danger of Excessive Anti-business Sentiment

Reformers in social marketing often see solutions as being facilitated through attacks on "the establishment". They fail to see that for some solution dimensions, the skills, money and time that can best be provided by "the establishment" are essential. In the present instance, this is most dramatically apparent when one considers the problems involved in remedying the market structure in disadvantaged areas.

#### 5. The Danger of Overprotectiveness

The haves usually believe they know what is best for the have-nots or, if not, they at least assume they know better how to achieve the desired ends. However, almost a decade of research and writing on how to motivate the disadvantaged has demonstrated clearly that unless the disadvantaged participate in efforts to improve their own lives:

- a. as already noted, solutions are less likely to really meet their long run needs;
- b. the disadvantaged will never lose their dependency on the middle class;
- c. further, they will not overcome their sense of powerlessness in being unable to control the events that affect their own lives;
- d. perhaps most importantly, the changes will not be permanent. Unless:





the disadvantaged learn how to help themselves, there will be no one to change things as conditions inevitably change or new problems arise. To expect the middle class to remain involved in substantial matters, or "the long haul" flies in the face of a great deal of recent experience.

### Summary and Conclusions

I have outlined above the general structure of the ghetto marketing problem in the United States and commented at some length as to the dangers inherent in current efforts of social marketers to ameliorate these problems. I have tried to suggest that these dangers are common to many other social marketing programs, particularly those that are directed at the so-called "have-nots." In such areas as health, housing, we must learn very hard lessons. Briefly:

1. We must not assume that where these conditions we seek to change, share our goods and wealth. Increasing this means more other things, more reliance on research than we might otherwise undertake;
2. In complex problems, even we, at any time, may, solutions directed at one set of causes, that if other causes are addressed, the most important, will leave the problem in the same state or worse;
3. We must not let our solutions, good as they may be, lead to "enemies" to become the equally important health care delivery solutions will require the enemy's cooperation;
4. Finally, we must not exclude those who have helped form marketing, social marketing policies and strategies. In that connection, we must remember that what we do will profoundly affect their lives, not only



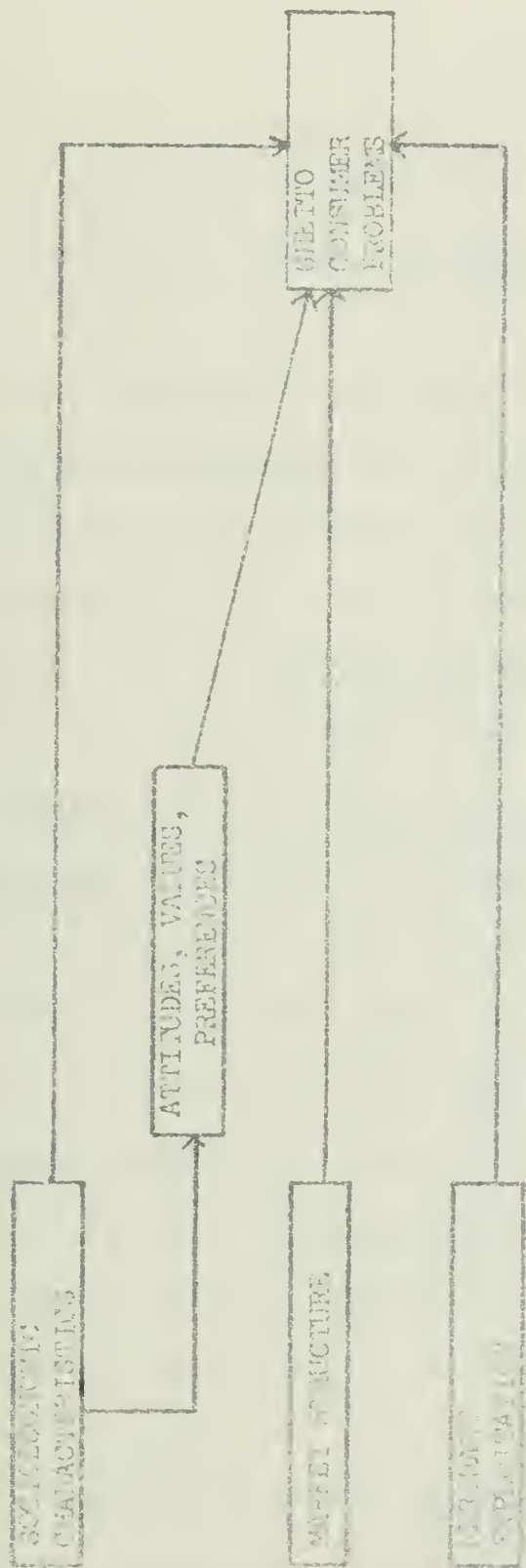


FIGURE 1

Sources of Ghetto Consumer Problems





# FOOTNOTES

1. Philip Kotler and Gerald Balmer, "Social Marketing: Approach to Planned Social Change," Journal of Marketing, Vol. 33, 3, (July 1971), pp. 3-12.
2. Philip Kotler and Sidney Levy, "Broadening the Concept of Marketing," Journal of Marketing, Vol. 33, 1, (January 1969), pp. 10-15.
3. William Lazer, "Marketing's Changing Social Relationships," Journal of Marketing, Vol. 33, 1, (January 1969), pp. 2-9.
4. David Caplovitz, The Poor Pay More, (New York: The Free Press, 1963).
5. See, for example, Federal Trade Commission, Economic Report on Installment Credit and Retail Sale Practices of District of Columbia Merchants (Washington: Government Printing Office, 1966).
6. William Hanselman, "The Basis for Market Discrimination: Race or Poverty," Unpublished paper, Portland State University, 1970.
7. See, for example, Warren G. Magnuson and Jean Carper, The Dark Side of the Market Place (Englewood Cliffs, NJ: Prentice-Hall, Inc., 1969).
8. David Caplovitz, Debtors in Debt (New York: The Free Press, 1971).
9. Alan R. Andreasen, "Consumerism in the Inner City," paper presented to the Brookings Institution Conference on Consumerism, Rochester, NY, June 10, 1972.
10. See Magnuson and Carper, op. cit.
11. Alan R. Andreasen, The Disadvantaged Consumer (New York: The Free Press, in press).
12. Consumer Federation of America, Policy Resolutions (Washington: Consumer Federation of America, July 21, 1973).



13. Louise C. Richards, "Consumer Practices of the Poor," in Lola V. Ireland (ed.), Low Income Life Styles (Washington D. C. Department of Health, Education and Welfare, 1986), p. 82.
14. Alan R. Andreasen, The Disadvantaged Consumer, ib. cit.









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